

Employee Benefits Program

Management Letter

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INTRODUCTION AND BACKGROUND

At the request of the Metropolitan King County Council, a management study of the County's employee benefits program was initiated. One important study objective was to determine County employees' knowledge, utilization and satisfaction with the range of available benefits. While an employee benefits survey was designed to obtain direct feedback from County employees about their perceptions of the County's benefits program, the survey effort was curtailed due to union officials' concerns about a County agency directly dealing with represented personnel on negotiated employee benefits. Consequently, the study was terminated because the objectives could not be comprehensively or conclusively addressed without direct employee feedback. However, useful information was obtained during the study process that is presented in this management letter.

SUMMARY STATEMENT OF FINDINGS

The general conclusion of this review was that County employees did not have consistent benefits information because multiple agencies were responsible for the administration of benefits, including communications regarding the availability of benefits. However, the County's benefits program was effectively structured to meet employees' needs based upon national survey results, and the available utilization data demonstrated employees' active use of the County's leave and insurance benefits.

MAJOR FINDINGS AND RECOMMENDATIONS

Finding 1. King County employees did not have consistent benefit information because multiple County agencies were responsible for the administration of benefits, including communications regarding the availability of and access to benefits.

Pursuant to Title 3 of the King County Code, approximately 11,500 King County employees are eligible to receive 30 paid and unpaid leave benefits, self-insured benefits, and other miscellaneous benefits (please see Attachment 2 for complete list of benefits). Multiple County agencies were responsible for the administration of these benefits, including any communications regarding the availability of and access to the benefits. As a result, neither a comprehensive benefits listing nor single agency resource was available to inform employees about the full-range of benefits available to them.

While OHRM recently produced and placed a new, expanded version of the King County Personnel Guidelines and a copy of Title 3 of the King County Code in the County's Exchange public folder, not all of the County's 11,500 benefit eligible employees have access to the public folder at their County work locations. Furthermore, information on less traditional benefits, such as specific work-life family resources, is still not consistently available to all employees. Thus, it would be reasonable for OHRM to consider additional low-cost alternatives for communicating benefits information to current County employees. For instance, the City of Seattle recently produced 11,000 "*Benefits. . . At a Glance*" handbooks for approximately \$15,000, or \$1.36 per employee. The development of a two-sided flyer that summarily describes benefits and identifies the responsible organization and contact person for each benefit would be an even more economical alternative to provide County employees with consistent benefits information.

We recommended that Office of Human Resource Management explore low-cost options to make comprehensive employee benefits information available to all King County employees using both printed and electronic resources (OHRM public folder on the County's Exchange system). Along with the identification of benefits, OHRM should specify the responsible agency and contact person to ensure that employees have knowledge of and easy access to County benefits information.

Finding 2. While utilization data was not maintained consistently for all benefits, the available data demonstrated King County employees' active utilization of

leave and insurance benefits.

Although utilization data was not uniformly available for all the County employee benefits, the available data document County employees' active use of numerous leave, insurance, and miscellaneous benefits. In fact, County employees averaged approximately 30 days of vacation, holiday and sick leave in 1996.. County employees' leave use was consistent with the average leave used by individuals employed by other large private (30 days) and public agencies (36 days) according to Washington State data on employees' use of leave benefits. Active leave utilization was also consistent with national trends that rank these leave benefits between 8.63 and 8.86 on a ten-point scale in order of importance.

Based upon the national survey data, medical, dental, and life insurance are three traditional insurance benefits that were considered to be most desirable by employees, ranking 9.59, 8.74, and 8.16, respectively, in order of importance on a 10-point scale. The available claimant data the insurance providers suggested that County employees and their families actively used the County's medical, dental and vision benefits in 1996. Specifically, more than 10,000 claimants used medical benefits, 20,000 used the vision benefits, and 8,000 used vision benefits. (Note: Claimant data was not available from the County's two health maintenance organizations.)

In the miscellaneous benefit category, other than the mandatory retirement benefits and the automatic Well Street Newsletter, County employees most actively utilized the transit pass and deferred compensation program benefits. Overall, however, County employees' utilization of these miscellaneous benefits was lower than the utilization rate for the leave and insured benefits. County employees' less frequent use of miscellaneous benefits was again consistent with national studies that document the relative importance of traditional core benefits (medical and life insurance, retirement, sick leave and vacation) for most employees.

It should be noted that the cost of the County's self-insured benefits are likely to increase significantly in 1998 due to trends in the health care market. Given the lower utilization rate for some non-traditional benefits, as noted in Exhibit 3, opportunities may be available to reduce or eliminate some infrequently utilized benefits to offset the anticipated cost increases for the County's 1998 self-insured benefits.

We recommended that OHRM Benefits and Well-Being Division contractually require all insurance benefit providers to provide annual utilization data for both employees and their dependents. The OHRM Benefits and Well-Being Division, in cooperation with King County Payroll and the other operating agencies administering non-leave benefits, should also report annual utilization rates to the Metropolitan King County Council during the annual budget process. In addition, OHRM Benefits and Well-Being Division should explore opportunities to reduce or eliminate some infrequently utilized benefits to offset anticipated cost increases for the County's 1998 insurance benefits.

Finding 3. King County's benefits program was effectively structured to meet employees' needs based upon a national survey.

Generally, and in King County, employee benefits constitute up to 40% of an employer's compensation costs and are a primary consideration in attracting and retaining competitive workers. In fact, based upon national survey data, starting salary (selected in the top four by 82% of employees) and employee benefits (selected in the top four by 78% of employees) were the two most important factors that employees cite when considering a job opportunity. Furthermore, employees who were offered the traditional core benefits (e.g., medical and life insurance, etc.) plus a choice of other benefits to meet their needs were more likely to be satisfied with their total benefit program, and were more likely to be committed to their organization's success.

Based upon a national employee benefits survey and frequency data on the types of benefits generally made available by both public and private sectors employers, King County's benefit program was effectively structured to meet employees' needs. King County's benefits program provided the top seven benefits that correlated to employee benefit satisfaction as well as the ability to choose benefits based upon need. According to the County's insurance broker, King County's benefit package was also excellent in comparison to the benefit packages offered by private sector employers in the Puget Sound area, because most private employers required employee contributions for medical benefits.

The County's benefit package was less competitive from a public sector perspective, but was still considered to be in the upper half of available benefits packages due to two highly competitive features: 1) fully County-paid medical benefits, and 2) 110% a cash-back option. Thus, the County's employee benefits program is competitive and effectively structured to meet employees' benefits needs.

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